

**Congress of the United States**  
**Washington, DC 20515**

October 11, 2002

The Honorable George W. Bush  
President  
1600 Pennsylvania Avenue, N.W.  
Washington, D.C.

Dear Mr. President:

We are writing to express our deep concerns about the prospect of price spikes and supply disruptions in the Northeast home heating oil market and to call upon you to immediately announce your willingness to release oil from the Northeast Home Heating Oil Reserve to address this impending crisis. In light of the current risk of armed conflict in the Middle East, and the related prospect of continued high oil prices, we believe that now is the time for you to act to reassure consumers and oil markets that you are willing to release oil from the Northeast Reserve, and from the Strategic Petroleum Reserve, to address the threat to our economic security posed by exorbitant oil prices.

We were troubled to read press accounts indicating that your Secretary of Energy, Spencer Abraham, is apparently reluctant to provide our region with any relief from the threat of dramatic home heating oil price spikes, stating that, "I think it's quite obvious that it's major supply disruptions and national security circumstances that would be the triggering mechanism for any presidential decision" to release stockpile oil.<sup>1</sup>

This interpretation of your authority under the Markey amendment (Part D of the Energy Policy and Conservation Act) suggests a misunderstanding of the amendment's purpose and intent. Under Section 183 of the amendment, the Secretary may sell products from the Northeast Reserve "only upon a finding by the President that there is a severe energy supply interruption." The Section then goes on to state that "Such a finding may be made only if he determines that - (1) a dislocation in the heating oil market has resulted from such interruption; or, (2) a circumstance, other than that described in paragraph (1) exists that constitutes a regional supply shortage of significant scope and duration and that action taken under this section would assist directly and significantly in reducing the adverse impact of such shortage."<sup>2</sup>

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<sup>1</sup> Tom Doggett, "US Won't Use Oil Reserve Unless Major Disruption," *Reuters*, October 1, 2002.

<sup>2</sup> Under Section 183(b) of the Act, the term "dislocation in the heating oil market" is defined to occur when "the price differential between crude oil, as reflected in an industry daily publication such as 'Platt's Oilgram Price Report' or 'Oil Daily' and No. 2 heating oil, as reported in the Energy Information Administration's retail price data for the Northeast, increases by more than 60 percent over its 5 year rolling average for the months of mid-October through March, and continues for 7 consecutive days."

Clearly, this provision envisions use of the Northeast Reserve to respond to both supply disruptions and price spikes affecting the Northeast. Recent analyses by the Department of Energy suggest to us that there is a looming threat of such dislocations and price spikes.

According to the Department of Energy's Energy Information Administration (EIA), "this winter is expected to bring with it higher heating bills than those seen last winter" and "under normal weather assumptions, winter heating bills for residential consumers could average from \$100 to \$300 higher than last winter."<sup>3</sup>

EIA reports that prices for heating oil are expected to increase by 45 percent over the levels paid last year, assuming normal winter weather. If winter weather is colder than average, however, prices could be even higher. As the EIA forecast states:

"Heating oil supplies are less plentiful than those of natural gas and propane, although the supply system for heating oil is more flexible than for the other fuels. Beginning-of-season stocks are estimated to be 130 million barrels, 3 million higher than those of the previous winter – but somewhat below the average. *Deterioration of the distillate inventory position during the fourth quarter, which appears likely, poses a strong upward price risk near mid-winter if weather turns colder than normal.*"<sup>4</sup>

EIA goes on to report that in the event this winter is just 10 percent colder than the average, "the average residential cost of heating would be about 16% above that of the base case and 69% above the cost of the preceding winter."

Such price spikes could have a devastating impact on consumers in New England, which experiences some of the coldest winters in the nation, and which is more dependent on oil for space heating than any other region of the country. According to EIA data, 63% of households in New England rely on home heating oil, compared to 16% nationwide. Commercial buildings in New England are also more reliant on heating oil, with 46% of such buildings relying on heating oil versus 12% of commercial buildings nationwide heating with oil.

In light of our region's dependence on heating oil, New England is particularly vulnerable to price spikes and price disruptions. Accordingly, we call upon you to immediately announce your willingness to release oil from the Northeast Home Heating Oil Reserve and the Strategic Petroleum Reserve to address the threat of price spikes or supply disruptions. Such an announcement would send an important signal to our nation's oil markets on the eve of potential armed conflict in the Middle East that you do

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<sup>3</sup> "Higher Heating Fuel Bills Expected this Winter," EIA Reports, Department of Energy, October 7, 2002.

<sup>4</sup> "Winter Fuels Outlook: 2002-2003," Energy Information Administration, October 2002.

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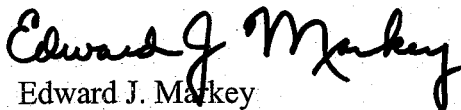
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not intend to repeat the mistake made by your father in 1991 when he allowed oil prices to spike sharply upwards for a period of several months before finally taking action to release oil from the Strategic Petroleum Reserve during the Gulf War.

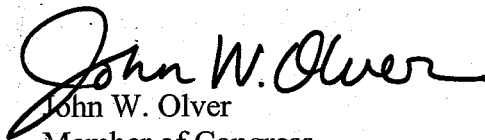
In addition, we request that you provide us with an explanation of the Administration's contingency plans with respect to the release of oil from both the Northeast Home Heating Oil Reserve and the Strategic Petroleum Reserve in the event that continued high oil prices and the threat of military action against Iraq threaten the New England regional and national economies.

We look forward to your early response to this request.

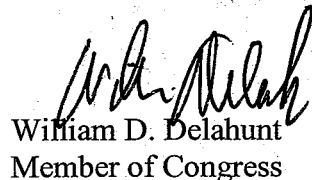
Sincerely,



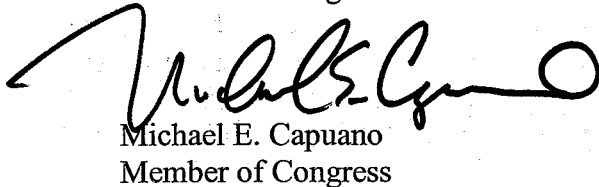
Edward J. Markey  
Member of Congress



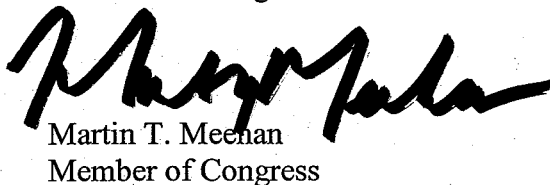
John W. Olver  
Member of Congress



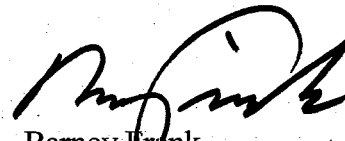
William D. Delahunt  
Member of Congress



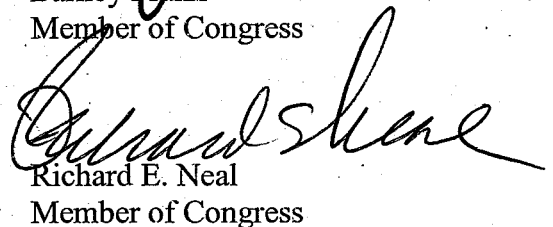
Michael E. Capuano  
Member of Congress



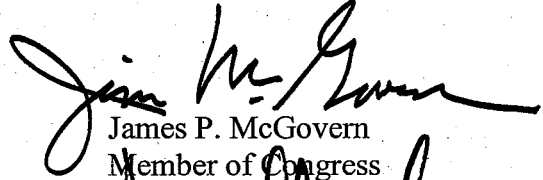
Martin T. Meehan  
Member of Congress



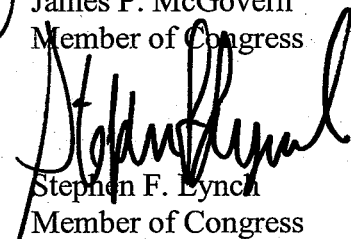
Barney Frank  
Member of Congress



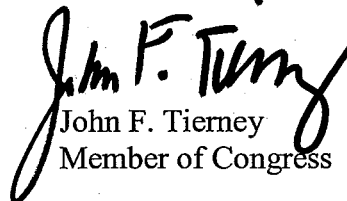
Richard E. Neal  
Member of Congress



James P. McGovern  
Member of Congress



Stephen F. Lynch  
Member of Congress



John F. Tierney  
Member of Congress